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CHARLES ELMOR

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM—1928.

No. 559.

EDWARD BECHER,

Petitioner,

against

CONTOURE LABORATORIES, INC., AND HERBERT OPPENHEIMER,

Respondents.

BRIEF ON BEHALF OF PETITIONER.

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Supreme Court of the United States

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EDWARD BECHER, Petitioner, AGAINST CONTOURE LABORATORIES, INC., AND HERBERT OPPENHEIMER, Respondents.	No. 559.

Brief on Behalf of Petitioner.

The grounds for jurisdiction are these:

1. The date of the order to be reviewed is the 19th day of November, 1928.

2. The order was rendered by the Circuit Court of Appeals for the Second Circuit in a suit brought under U. S. C., Title 35, Section 70, for infringement of Letters Patent and this order directs that the bill of complaint be dismissed and affirms the lower Court, which denied a motion for a preliminary injunction and also denied a motion prohibiting the enforcement of a judgment obtained by the respondents against the petitioner in a suit in the Supreme Court of the State of New York, for Kings County.

3. The statutes under which jurisdiction is invoked is U. S. C., Title 28, Section 371, and U. S. C., Title 35, Section 70. The petition for a writ of certiorari was

filed November 27, 1928, and the order granting the petition was filed January 7, 1929.

4. The cases believed to sustain the jurisdiction are those arising under the patent laws such as: *Pratt* v. *Paris Gas etc.*, 168 U. S. 255; *Oliver et al.*, v. *Rumford Chemical Works*, 109 U. S. 75 and Henry T. Slemmer's Appeal, 58 Pa. 155.

Statement of the Case.

We believe that the best way of getting at the matter is to quote the statements of the case found in the prevailing opinion at page 73 and in the dissenting opinion at page 80 of the record. These opinions have now been reported and will be found in 29 Fed. (2d) 31. We believe both sides accept these statements as fair and accurate. For a fuller statement see pages 1 to 23 of the Record.

> "SWAN, Circuit Judge. The relief sought on the motion for a preliminary injunction was two-fold: (1) To prevent infringement of Becher's patent; and (2) to prevent the further prosecution by defendants of a suit pending between the same parties in the Supreme Court of the State of New York, wherein judgment had been entered directing Becher to assign his said patent to Herbert Oppenheimer, one of the plaintiffs in that litigation and a defendant in this. But the whole argument centers upon the refusal of the District Court to enjoin prosecution of the state suit; if the state court had jurisdiction, its judgment precludes plaintiff from claiming infringement by the defendants. The appellant contends that that court had no jurisdiction of the litigation, because it was a case arising under the patent laws of the United States, and so within the exclusive jurisdiction of federal tribunals. Section 256 of the Judicial Code (U. S. C., tit. 28, sec. 371).

"In the state suit, Oppenheimer and his assignee, Contoure Laboratories, were plaintiffs. They allege that Oppenheimer was the proprietor of an invention for a certain massaging instrument, and was engaged in devising improvements thereof; that he employed Becher to make the mechanical parts of said instrument, and Becher agreed to keep secret and confidential such information as he should obtain from Oppenheimer in the course of doing such work; that Oppenheimer disclosed to Becher his said invention, and modifications and improvements thereof, in order that Becher might perform the agreed work, and that Becher appropriated Oppenheimer's ideas and invention, and in violation of his aforesaid agreement made application for a patent upon said instrument, and obtained upon said application the issuance of letters patent No. 1,634,316; that in said application Becher falsely stated that he was the inventor, although in fact, as Becher knew, Oppenheimer was the inventor of said instrument; that Oppenheimer had assigned his interest in said invention and instrument to Contoure Laboratories; that, upon learning of the patent issued to Becher, Oppenheimer and his assignee demanded that Becher discontinue making instruments pursuant to said letters patent, and assign the patent to them; that they have established a substantial trade in such instruments, and that Becher's sale of instruments such as are described in said letters patent causes them irreparable injury. The prayer for relief is (1) that Becher be declared a trustee *ex maleficio* for Oppenheimer's assignee of said invention and the letters patent; (2) that he be restrained from using or disposing of said instruments; (3) that he be enjoined from granting any rights under said letters patent; (4) that he deliver up to the plaintiffs all instruments in his possession; and (5) for damages and other appropriate relief. Becher's answer denied the allegations of the complaint;

alleged the issuance to himself on July 5, 1927, of said letters patent, that subsequently thereto Oppenheimer had amended a patent application which he had filed on June 26, 1926, and an interference had been declared between Becher's letters patent and Oppenheimer's amended application, which interference remained pending and undetermined in the Patent Office; and denied the jurisdiction of the state court. The state court sustained its own jurisdiction, and trial was had before a referee, who made a finding of facts supporting all of the allegations of the bill. Judgment was thereupon entered, adjudging Becher a trustee *ex maleficio* for the benefit of Oppenheimer of the invention and letters patent, and directing him to execute an assignment of the patent. Injunctive relief was also granted in accordance with the prayer of the bill. Becher then filed the present suit, to obtain an adjudication of the validity of his patent, and to enjoin the enforcement of the state court judgment.

"MANTON, Circuit Judge (dissenting). Patent No. 1,634,316 was granted to appellant on July 5, 1927, on an application filed March 27, 1926, for a massage heating roller. The present suit is for infringement of this patent and for an injunction restraining the further prosecution of an equity suit in the New York state court between the parties. Appellant, prior to the filing of his application for this patent, made the device for the appellee Oppenheimer. Appellant alleges it was unsuccessful, and, although modified, did not succeed, and has been abandoned. After appellant filed his application for this patent, he furnished apparatus for the same to the appellee. Oppenheimer filed a later application for a patent in June, 1926. In August, 1927, the parties disagreed. Appellee Contoure Laboratories, Inc., incorporated by Oppenheimer, took over the latter's business, Oppenheimer filed an amendment to his application of

June 26, 1927, and claimed appellant's patent, and asked for an interference between the parties.

"But, before that interference was declared, appellee brought suit against the appellant in the Supreme Court of the state of New York. The complaint alleged that Oppenheimer disclosed the idea of the Becher patent to him, and that Becher fraudulently took out a patent in defiance of Oppenheimer's rights. The interference has never been prosecuted and is still pending. The present suit for infringement brings into question who is the first inventor, the claim being that the federal court only has exclusive jurisdiction of this issue. It is contended that the state court erroneously took jurisdiction and decided this question, which is one arising under the patent laws of the United States. Section 256, Judicial Code (28 U. S. C. A. sec. 371).

"The complaint in the state court did not claim an expressed contract whereby appellant was to apply his inventive skill to the use of the appellee, nor is it claimed that a contract exists by which the resulting invention of the appellant, made during such employment, must pass to the appellee. But the complaint in the state court stated 'that defendant (present plaintiff) appropriated to his own use said ideas and said invention and the modification and improvements thereof, and in violation of his agreement (to keep Oppenheimer's ideas secret) made application to the Commissioner of Patents of the United States for letters patent.' "

We also quote from the complaint in the State Court which is found in the record beginning with page 11:

"6. That at the time of engaging the said defendant as a machinist, said plaintiff Oppenheimer and the defendant agreed that the defendant as a machinist would from time to time do certain work for the said plaintiff Oppenheimer under the instruction and direction of

said plaintiff, for the purpose of making models to be used in application by said plaintiff for letters patent, for which said plaintiff agreed to pay to the defendant, and the defendant would keep secret and confidential such information and knowledge as he would obtain from said plaintiff in the course of such instruction and direction by said plaintiff and in the course of the services rendered and work done by the defendant as a machinist in that connection.

"7. That at the time of originally engaging the defendant to make said mechanical parts and from time to time thereafter, said plaintiff Oppenheimer necessarily disclosed to the defendant his said inventions and the modifications and improvements thereof, his ideas originating the same, the manner of making the same, the novelty thereof and all its various parts, the use to which the same might be put, the commercial value thereof and various methods of manufacturing the same and combining the elements of novelty.

"8. That in or about the month of February, 1926, said Oppenheimer necessarily disclosed to said defendant in order to enable him at the request of said plaintiff Oppenheimer to manufacture certain parts thereof, an improved instrument conceived by the said Oppenheimer, which consisted of a heating element composed of asbestos and wire, enclosed in a brass tube and the whole thereof enclosed in an aluminum roller which rotated around the brass tube, itself stationary and connected or attached to a wooden handle with a metal frame or top bar over the roller, the heating element in the brass tube being connected with a wire running through the wooden handle intended to be connected with a source of electric energy such as a socket.

"9. That without the knowledge or consent of the plaintiffs or either of them, and in or about the month of March, 1926, while he was thus en-

gaged in making mechanical parts for said plaintiff Oppenheimer and after ascertaining from said plaintiff Oppenheimer the ideas, facts and information above set forth and all the facts concerning the said invention of plaintiff Oppenheimer and the modification and improvements thereof, the defendant appropriated to his own use said ideas and said invention and the modification and improvements thereof, and in violation of his agreement, made application to the Commissioner of Patents of the United States for letters patent upon the said instrument by application known as Serial No. 97862.

"10. That on or about the 27th day of March, 1926, said defendant filed in the United States Patent Office, a petition, specification of claims and oath upon said application for letters patent bearing serial No. 97862, which application was granted and letters patent issued to said defendant bearing No. 1,634,316.

"11. That in said petition, specification, claims and oath the defendant falsely stated that he had invented said instrument; that he was the original, first and sole inventor thereof; that he did not know and did not believe that the same was ever known or used before his alleged invention or discovery thereof.

"12. That said statements were false and untrue in that the defendant had misappropriated the knowledge obtained by him from plaintiff Oppenheimer during the course of his employment as machinist; that he had not invented said instrument; that he was neither the original nor the first nor the sole inventor thereof; that he knew and believed that the same was known and used before his alleged invention or discovery thereof, namely, by the said plaintiff Oppenheimer, who to the knowledge of the defendant was the inventor thereof, and that defendant knew that all of his said statements were false and untrue."

It is alleged in behalf of the petitioner and not disputed, record page 3, paragraph 6, folios 4 and 5, that after the parties severed their business relations the respondents continued to manufacture instruments identical with the patent in suit and it is alleged in behalf of the petitioner that these instruments were made, used and sold in defiance of his rights. The sole issue as to Becher's right to an injunction is whether Becher or Oppenheimer is the original inventor of the subject matter of the Becher patent in suit. Claims 1 and 4 of the patent in suit are the only ones involved (Record, page 8).

The issues to be urged are:

1. Should the enforcement of the judgment in the State Court be enjoined because this State Court had no jurisdiction to try the issues raised by the complaint?

2. Is the petitioner entitled to the usual preliminary injunction in a patent case?

SUMMARY OF ARGUMENT.

1. The State Court had no jurisdiction in the premises.

The complaint on its face shows, paragraphs 9 to 12 inclusive, *that Oppenheimer and not Becher was the inventor of the subject matter of the Becher patent. Becher denies this, thereby raising an issue which the State Court proceeded to try and determine.* This issue is the dominant issue in the case and the only one which had to be decided. Clearly, under the rule laid down in *Pratt v. Paris Gas, Light & Coke Co.*, 168 U. S. 255, 259, quoted in part at page 76 of the record in the

prevailing opinion, and in view of the earlier case of *Oliver* v. *Rumford*, 109 U. S. 75 and the yet earlier case of Henry T. Slemmer's Appeal, 58 Penn., 162, it appears that the State Court had no jurisdiction in the premises. The reasoning of these cases fully supports the position taken by Judge Manton in his dissenting opinion found at page 80 of the record.

2. Is the petitioner entitled to the usual preliminary injunction in a patent case?

The petitioner claims that he is, for the reasons given by Judge Manton in the last paragraph of his dissenting opinion beginning at the bottom of page 84 of the record.

ARGUMENT.

POINT I.

The question of validity of the Becher patent in suit was fundamental and not incidental to the questions at issue between the parties and so dominates the situation and ousts the jurisdiction of the State Court.

Section 256 of the Judicial Code (U. S. C. Tit. 28, Sec. 371) reads in part as follows:

> "The jurisdiction vested in the Courts of the United States in the cases and proceedings hereinafter mentioned, shall be exclusive of the Courts of the several states: * * * 5. Of all cases arising under the patent right or copyright laws of the United States."

So the issue comes down to this: Was the State Court action a *patent case?* If it were, obviously the State

Court had no jurisdiction because the matter was one which is exclusively federal.

It is clear that State Courts may under certain circumstances pass on the validity of Letters Patent where the matter is incidental, such as where the matter of validity arises on an issue raised in the answer, as occurred in the *Pratt* v. *Paris Light* case above referred to. Such is not the case at bar. *In the case at bar the issue is affirmatively raised in the complaint.* Not only this, but according to the prevailing opinion, a decision by the State Courts *binds the parties as to validity.* The exact language of the Court is found at the top of page 77 and reads as follows:

> "It is true that a question of fact was decided which determines the invalidity of Becher's patent as between the parties and estops him upon that issue whenever it arises again between him and Oppenheimer."

This admission by the Court of Appeals seems to show conclusively that the matter is fundamental and not incidental. Robinson in his work on Patents, Vol. 3, page 21, section 865, states as follows:

> "Citizenship being the same, the State courts have sole cognizance of all actions based on contracts between the parties, whether to compel their performance, to rescind them, or to award damages for their violation. Actions for breach of warranty, for fraud, for royalties or purchase-money, and for the non-fulfilment of other collateral contracts, are also within their exclusive jurisdiction. In such actions the validity of the patent, and consequently the existence of the monopoly, may be disputed and incidentally decided as preliminary to some point in issue, and thus the court may pass upon the same matters as are involved in cases arising under the Patent Laws; *but upon these the judgment has no effect*

> *even between the parties, and the same questions are still open in any other litigation in which they may engage.*" (Italics added.)

This Court seemed to have ruled to the same effect in the case of *Oliver* v. *Rumford,* above cited, and from which we quote:

> "Moreover, the present suit is one in a court of the United States, brought under the provisions of an act of congress, for the infringement of letters patent. The former suit arose out of a contract between Morgan and Oliver, Finnie & Co., and was brought to recover damages for the breach of that contract. Under these circumstances, the question as to the rights of Morgan under the patent must be regarded as one to be passed upon in this suit as an original question, as if there had been no former suit. Giving to the opinion of the supreme court of Tennessee that consideration which is due to the force of reasoning in the views which it announces, we are unable to concur in the construction it gave to the license to Morgan. Accordingly, the judgment of the circuit court is reversed, with direction to award a new trial."

Such also seems to be the view of the highest Court of Pennsylvania in Slemmer's Appeal above cited. From this we quote:

> "If, then, there could be gathered from the proofs in this case a contract or trust of this patent for the benefit of the plaintiffs, the want of jurisdiction of the court would not be in the way. The plaintiffs do not attack the patent: they admit its validity. *But the difficulty of the case is that they claim a trust or ownership on grounds which, if true in fact, show that the patent is void in law.* The question is directly involved who was the true and original inventor, and necessarily,

therefore, the validity of the patent. The plaintiffs claim that they are joint inventors with the defendant. 'A joint invention,' says Mr. Curtis, 'may be a good subject-matter of a patent; for the statute supposes the case of a joint invention, and provides for it; but if an invention, which in point of fact was made by more than one person, is made the subject of a patent by any one of them, he cannot take the oath required by the statute, declaring himself to be the original and first inventor, or if he does take it, his patent will be void.' Curtis on patents, sect. 112. In this he is sustained by the authorities: *Barett* v. *Hall*, 1 Mason 472; *Stearns* v. *Barett*, 1 Pick. 446; *Moffat* v. *Soby*, 2 Paine 103; *Hotchkiss* v. *Greenwood*, 4 McLean 461, *Ransom* v. *Mayor, etc. of New York*, Laws Dig. 458; *Potter* v. *Wilson*, Ibid. 454. It is true that these are all cases, in which a joint patent taken out on the sole invention of one, was held to be void. But the logic, which requires the correlative proposition to be affirmed, is inexorable. The object of the law is to secure to inventors the benefits of their inventions or discoveries. If the invention is as it may be, joint, the object is as much frustrated, if not more so, in the one case as the other. The patentee is not a trustee for the true inventor, either in whole or in part. The true inventor has never been allowed to claim the benefit of a patent granted to one who had stolen the invention from him. It would be contrary to the whole policy as well as the express provisions of the system. Whatever might be the case, where there appeared to be a contract or trust resulting from the understanding of the parties or the relation of the original inventor to others, *a court of equity cannot decree an assignment of a patent on the ground that the patentee is not, but the plaintiff is the true original inventor, in whole or in part. Besides which, for a state court to decide directly that A. is not the sole original*

> ***inventor, but that A. and B. are jointly the inventors and so entitled to the patent; and to decree an assignment or grant an injunction accordingly would be to usurp the jurisdiction which has been exclusively vested, as we have seen, in the courts of the United States.*** (Italics added.)

In the case at bar, Becher had a patent. In the *Slemmer* case there was a patent which had issued. This is altogether different from a case where there was no patent in existence at the time the bill of complaint was filed and at the time when the answer was filed and the rights of the parties were entirely independent of the patent. Such was the case in *Irving Iron Works* v. *Kerlow Steel Flooring Company*, and others, 126 Atl. 291, New Jersey Equity 702 cited by the Court below at page 79 of the record. This Court also cited at this place the *Smith* v. *Webster* case, 87 Conn. 74. From this, we quote the quotation being taken from the end of the opinion at page 84:

> ***"While the State Court cannot directly pass upon the validity of the patent,*** it can, in an action of this kind, pass upon the question of whether Smith or Webster first originated the improvement, and upon finding that fact in favor of the plaintiff, may restrain the defendant from assigning the patent to a third person, as a mode of protecting the plaintiff against an additional threatened injury" (Italics added.)

It seems to us that this finding is somewhat inconsistent on its face. If a State Court can pass on the question of who is the original, first and sole inventor of the subject matter of a patent as between two parties, it is deciding a Patent Office interference which the opinion says it cannot "directly" do. It is also deciding the validity of the patent which it cannot "di-

rectly" do. It granted, in this case, the full relief which it might have granted if it had full and complete jurisdiction. We differ with this citation and we submit that it is unsound. *The correct procedure is to let the matter of originality be settled in a Patent Office interference and this should be followed, where the defeated party has a patent, by a suitable suit for cancellation,* all of which is provided for in the patent statutes. For a State Court to presume to decide such matters and thereby oust the jurisdiction of the Federal tribunals is, we believe, unseemly and improper.

We ignore the copyright cases, cited after the foregoing, as irrelevant. The issue of originality of a patentable invention does not arise in a copyright case.

The issue at bar is not one of granting relief. Of course, where a gross wrong has been committed as to the originality of an invention, relief should be given. *The question is, where should relief be given and what kind?* Our contention is, upon the authorities above cited, that where the validity of a patent is not involved directly and affirmatively upon the complaint in the State Court, the case may with propriety be decided in the State Court, but where the validity or invalidity of a patent is directly involved, because the issue is raised affirmatively on the face of the complaint, and must be decided before any other issue can be decided, the matter is exclusively one for the Federal Courts and tribunals, as above pointed out, and we believe that the weight of authority supports this contention.

The prevailing opinion states at page 76 as follows:

> "The only question is whether the undoubted jurisdiction of the State court to compel a wrongdoer to account is divested because the *incidental* result will be to establish a fact between the parties which affects the validity of a patent. * * * But it [the invalidity of Becher's patent] appears only incidentally and as an element of the plaintiff's proof." (Italics added.)

The invalidity of the patent being held to be incidental, the question arises, incidental to what? The complaint and the cases cited show that it was treated *as collateral to the tort.* Let us suppose Becher to have been as fraudulent and malicious as alleged. The wrong already complained of by Oppenheimer is merely aggravated. The offense on which all depends is whether or not Becher appropriated an idea which was not his and took out a patent for it to the injury of Oppenheimer. And conversely, supposing Becher to have acted innocently in the appropriation, the wrong still remains. *The wrong then, existing in either case, the issue between the parties is not the breach of confidence on the part of Becher but the question of validity of a patent.* Over such questions the jurisdiction of the Federal Courts is undoubtedly exclusive and the State Court had no jurisdiction. The issue of validity is fundamental and not incidental.

POINT II.

The petitioner is entitled to a preliminary injunction.

The reasons for this are very ably stated by Judge Manton in the dissenting opinion found at the bottom of page 84 of the record and we rely on what he says there in support of our contention.

Conclusion.

The conclusion of the entire matter is that the State Court was utterly without jurisdiction to pass on the issue of validity of the Becher patent, the only substantial issue in the case, and so its judgment is null and void and under the peculiar circumstances

of this case, this patent should be held valid and infringed and the title in Becher and therefore, this petitioner should have the relief prayed for, to wit, an injunction restraining further enforcement of the judgment obtained in the State Court and a preliminary injunction restraining the further infringement of claims 1 and 4 of the patent in suit.

Respectfully submitted,

O. Ellery Edwards,
Solicitor for Petitioner.

Dated New York, February 15, 1929.